

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF NEW YORK

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:  
In re : Chapter 11  
DELPHI CORPORATION, et al., : Case No. 05-44481  
Debtors. :

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RECORD OF PROCEEDINGS held at the  
Bearings Business Auction of the Debtor, taken  
before GREG S. WEILAND, CSR, pursuant to the Federal  
Rules of Civil Procedure for the United States  
Bankruptcy Court, at Suite 1900, 333 West Wacker  
Drive, in the City of Chicago, Cook County,  
Illinois, commencing at 7:44 o'clock p.m., on the  
19th day of February, 2008.

1 PRESENT:

2 SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP

3 333 West Wacker Drive

4 Chicago, Illinois 60606-1285

5 (312) 407-0700

6 BY: MR. JOHN K. LYONS

7 MR. BRIAN M. FERN

8 MR. ERIC J. HOWE

9 E-mail: jlyonsch@skadden.com

10 On behalf of the Debtors;

11  
12 JONES DAY

13 77 West Wacker Drive

14 Chicago, Illinois 60601-1692

15 (312) 782-3939

16 BY: MR. BRAD B. ERENS

17 MR. ADAM R. SCHAEFFER

18 E-mail: bberens@jonesday.com

19 aschaeffer@jonesday.com

20 On behalf of ND Acquisition

21 Corp.;

1 PRESENT (CONTINUED):

2 BARACK FERRAZZANO KIRSCHBAUM & NAGELBERG LLP

3 200 West Madison Street

4 Suite 3900

5 Chicago, Illinois 60606

6 (312) 984-3100

7 BY: MR. WILLIAM J. BARRETT

8 E-mail: william.barrett@bfkn.com

9 On behalf of WND Acquisition;

10  
11 WINSTON & STRAWN LLP

12 35 West Wacker Drive

13 Chicago, Illinois 60601-9703

14 (312) 558-3715

15 BY: MR. MARK K. THOMAS

16 E-mail: mkthomas@winston.com

17 On behalf of Kyklos Inc.

1 MR. LYONS: Good evening. My name is  
2 John Lyons of Skadden Arps Slate Meagher & Flom LLP.  
3 Skadden is counsel to Delphi Corporation and its  
4 affiliated debtors and debtors in possession in  
5 their Chapter 11 cases which are pending in the  
6 United States Bankruptcy Court for the Southern  
7 District of New York before the Honorable Robert D.  
8 Drain and are being jointly administered under Case  
9 Number 05-44481.

10 On January 15, 2008, Delphi filed a motion  
11 seeking approval of certain bidding procedures and  
12 certain bid protections from the stalking horse  
13 bidder ND Acquisition Corp. and approval of the sale  
14 of substantially all of the assets of the bearings  
15 business to ND Acquisition Corp. pursuant to a Sale  
16 and Purchase Agreement dated January 15, 2008, by  
17 and between Delphi Automotive Systems LLC and  
18 ND Acquisition Corp. subject to completion of a  
19 competitive bidding process. I will refer to the  
20 motion as the Sale Motion. The Sale Motion was  
21 entered on the docket as Docket Entry Number 12104.

22 After a hearing held on January 25th,  
23 2008, the Court entered an order approving certain  
24 bidding procedures. The order was entered on

1 January 25th, 2008, at Docket Number 12355. I  
2 will refer to this order as the Bidding Procedures  
3 Order.

4 This is the time and the place for the  
5 auction of the assets of the bearings business  
6 pursuant to that Bidding Procedures Order.

7 As you are aware, we have a court reporter  
8 here. This auction is being transcribed, and we  
9 will file a complete transcript of this auction with  
10 the Bankruptcy Court before commencement of the sale  
11 hearing.

12 Initially I will describe the procedures  
13 that are going to be used for today's auction and  
14 enter certain matters into the record.

15 First, we have premarked 10 exhibits to be  
16 entered into the record. When you checked in this  
17 morning, each of you should have received a binder  
18 containing the first nine of the ten exhibits.

19 Marked as Exhibit Number 1 is the  
20 expedited motion for orders under 11 U.S.C. Sections  
21 363, 365 and 1146 and Bankruptcy Rule 2002, 6004,  
22 6006 and 9014 approving bidding procedures, granting  
23 certain bid protections, approving form and manner  
24 of sale notices and setting the sale hearing date

1 and authorizing and approving sale of debtors'  
2 assets primarily used in connection with the  
3 bearings business free and clear of liens, claims  
4 and encumbrances, assumption and assignment of  
5 certain executory contracts and unexpired leases and  
6 assumption of certain liabilities. That's Docket  
7 Number 12104.

8           Marked as Exhibit Number 2 is a  
9 black-lined proposed order under 11 U.S.C. 363, 365  
10 and 1146 and Federal Bankruptcy Procedures 2002,  
11 6004, 6006 and 9014 authorizing and approving sale  
12 of certain of debtors' assets comprised of  
13 substantially all of the assets primarily used in  
14 the debtors' bearings business free and clear of  
15 liens, claims and encumbrances, assumption and  
16 assignment of certain executory contracts and  
17 unexpired leases and assumption of certain  
18 liabilities.

19           Marked as Exhibit Number 3 is the Bidding  
20 Procedures Order that I mentioned earlier.

21           Marked as Exhibit Number 4 is the bid  
22 submitted by ND Acquisition Corp. that was attached  
23 to the Sale Motion except for one schedule,  
24 Schedule 4.1.17, which is in the binder as Exhibit

1 Number 4 but was inadvertently not included in the  
2 bid attached to the Sale Motion, and we will make  
3 available copies of that schedule for any of the  
4 parties' review should they so request. This  
5 exhibit includes the Sale and Purchase Agreement  
6 dated January 15, 2008, including disclosure  
7 schedules thereto as of the date of the  
8 ND Acquisition Corp. agreement.

9 Marked as Exhibit Number 5 is the bid  
10 submitted by WND Acquisition Company LLC, who I will  
11 subsequently refer to as WND. This exhibit includes  
12 the following items: A letter dated February 11,  
13 2008, from Gary E. Wetzel; a marked copy of the Sale  
14 and Purchase Agreement reflecting modifications from  
15 the Sale and Purchase Agreement between  
16 ND acquisition and Delphi Automotive Systems LLC  
17 dated January 15, 2008, including marked schedules  
18 and exhibits thereto; Sale and Purchase Agreement  
19 dated February 12th, 2008, by and between  
20 WND Acquisition Company LLC and Delphi Automotive  
21 Systems LLC, including schedules and exhibits  
22 thereto; a February 7, 2008 letter from LaSalle  
23 Bank; and finally, a February 11, 2008 letter from  
24 General Motors Corporation.

1                   Marked as Exhibit Number 6 is the bid  
2     submitted by Kyklos, Inc., who I will refer to as  
3     Kyklos. This exhibit includes the following items:  
4     A letter dated February 11, 2008, from  
5     George Thanopoulos; a February 11, 2008 marked copy  
6     of the Sale and Purchase Agreement reflecting  
7     modifications from the Sale and Purchase Agreement  
8     between ND Acquisition and Delphi Automotive Systems  
9     dated January 15, 2008; a February 13, 2008 marked  
10    copy of the Sale and Purchase Agreement reflecting  
11    modifications from Kyklos' February 11, 2008 Sale  
12    and Purchase Agreement; a Sale and Purchase  
13    Agreement dated February 13, 2008, by and between  
14    Kyklos and Delphi Automotive Systems including  
15    schedules thereto; and various letters evidencing  
16    commitment related to the Kyklos bid; and a  
17    February 11, 2008 letter from General Motors  
18    Corporation.

19                   Marked as Exhibit Number 7 in the binder  
20    is the letter from ND Acquisition Corp. to Delphi  
21    dated February 13, 2008, waiving condition to its  
22    obligations under Section 7.2.5 of the Sale and  
23    Purchase Agreement.

24                   Marked as Exhibit Number 8 is the

1 February 13, 2008 letter evidencing the commitment  
2 relating to ND Acquisition Corp.'s bid.

3 Marked as Exhibit Number 9 is the  
4 February 12, 2008 letter from General Motors  
5 Corporation relating to ND Acquisition Corp.'s bid.

6 And then marked as Exhibit Number 10 is  
7 the sign-in sheet, which is being circulated and  
8 will be copied and provided to all the parties here.

9 As everyone here is aware, competing  
10 proposals for the assets of the bearings business  
11 were to have been received by Delphi, its advisors,  
12 the advisors to the Official Committee of Unsecured  
13 Creditors and the advisors to the agents for the  
14 post-petition lenders by the bid deadline, which was  
15 extended to February 13, 2008, by Delphi pursuant to  
16 the Bidding Procedures Order and the Sale and  
17 Purchase Agreement with ND Acquisition.

18 On February 13, 2008, two competing bids  
19 had been received, one by WND and the other by  
20 Kyklos. After independent evaluation by Delphi and  
21 its advisors and in accordance with the Bidding  
22 Procedures Order, Delphi determined that both the  
23 WND competing proposal and the Kyklos competing  
24 proposal were qualified bids as defined in the

1 bidding procedures attached as Exhibit 1 to the  
2 Bidding Procedures Order. Therefore, on  
3 February 14, 2008, my colleague Brian Fern and I  
4 contacted all parties entitled to attend this  
5 auction by e-mail including ND Acquisition, WND,  
6 Kyklos, the creditors' committee, the equity  
7 committee, the UAW, and the agent for the  
8 post-petition lenders and advised them that an  
9 auction would be going forward.

10 As agreed to by Delphi and ND Acquisition  
11 and as reflected in the Bidding Procedures Order,  
12 because a qualified bid was received on or before  
13 the bid deadline, ND Acquisition is not entitled to  
14 receive the breakup fee or expense reimbursement set  
15 forth in the ND Acquisition agreement or participate  
16 in the auction unless among other things it waives  
17 the financing contingency set forth in Section 7.2.5  
18 of that agreement. On February 13, 2008,  
19 ND Acquisition sent Delphi a letter waiving that  
20 Section 7.2.5 financing contingency.

21 After reviewing the bids of  
22 ND Acquisition, WND and Kyklos, on February 14,  
23 2008, Delphi with the assistance of its advisors  
24 concluded that the WND bid was the highest or

1 otherwise best offer submitted prior to the auction,  
2 and I'll define that as the lead bid, and in  
3 accordance with the bid procedures, Delphi  
4 distributed clean and red-lined versions of the Sale  
5 and Purchase Agreement between WND and Delphi,  
6 including schedules and exhibits thereto, WND's bid  
7 letter and GM's approval letter.

8           There are no other parties who have  
9 submitted a qualified bid, and therefore, pursuant  
10 to the bidding procedures, only ND Acquisition, WND  
11 and Kyklos are entitled to bid for the bearings  
12 business at today's auction.

13           As each of you know, each of the bidders  
14 has been assigned their own conference room to use  
15 for caucusing in private. The creditors' committee  
16 and its advisors are sharing this room, and all the  
17 other bidders have their own rooms.

18           We're going to shortly open the floor to  
19 allow an opportunity for additional competing bids  
20 to be made by the qualified bidders, and each party  
21 will have the opportunity to improve its bid or  
22 otherwise make any comments on the record if such  
23 party desires to announce publicly.

24           I'm not going to read into the record all

1 the procedures in the bidding procedures. Those  
2 have been attached to and are part of the Bidding  
3 Procedures Order.

4 Before we begin bidding, I remind the  
5 parties that additional bids are to be made in at  
6 least \$250,000 increments. There are no additional  
7 procedures at this time.

8 We encourage ND Acquisition, WND and  
9 Kyklos to put forth on the table today your highest  
10 and best bid, and we will do everything we can to  
11 provide each of you with guidance about any issues  
12 that we or the creditor constituencies may have as  
13 they relate to your respective bids.

14 When either bidder desires to make any  
15 further bid, we will recess the auction and meet  
16 privately with our constituencies to consult with  
17 them. After that and as quickly as possible,  
18 depending upon time, Delphi and its advisors will  
19 meet, deliberate and determine in the exercise of  
20 its business judgment which party it believes to be  
21 the successful bidder as defined in the bidding  
22 procedures and which party will be the alternate  
23 bidder.

24 At that point, Delphi will advise the

1 parties of the bid that has been determined to be  
2 the successful bid and the bid that has been  
3 determined to be the alternative bid, and Delphi  
4 will formally close the auction at that time.

5 Just as a reminder, no bid is deemed to be  
6 accepted until the Bankruptcy Court approves that  
7 bid at the sale hearing and an order to that effect  
8 is entered by the Bankruptcy Court.

9 Okay. We would like each of the three  
10 bidders to designate a representative to speak on  
11 that party's behalf when and if you decide you want  
12 to speak on the record for purposes of the auction.

13 Therefore, I'll ask the designated  
14 representative from each bidder to state his or her  
15 name and the title for the record and affirm that  
16 such person is authorized, the authorized  
17 representative of that party for purposes of the  
18 auction.

19 First, ND Acquisition?

20 MR. ERENS: Brad Erens, E-r-e-n-s, from  
21 the firm of Jones Day. I will be the authorized  
22 representative.

23 MR. LYONS: WND Acquisition?

24 MR. BARRETT: William Barrett from the

1 firm of Barack Ferrazzano Kirschbaum & Nagelberg. I  
2 will be the authorized representative for  
3 WND Acquisition.

4 MR. LYONS: Thank you.

5 Kyklos?

6 MR. THOMAS: Mark Thomas, Winston & Strawn  
7 Chicago, designated representative for Kyklos, Inc.

8 MR. LYONS: Okay. I would also ask at  
9 this time each of the designated bidder  
10 representatives that they have the full authority to  
11 speak for the company that you represent.

12 First of all, Mr. Erens?

13 MR. ERENS: I do.

14 MR. LYONS: Mr. Barrett?

15 MR. BARRETT: I do.

16 MR. LYONS: And Mr. Thomas?

17 MR. THOMAS: Yes.

18 MR. LYONS: Please confirm that your  
19 participation at the auction and anything you say on  
20 behalf of your company is with the full authority of  
21 the company and binding on your company.

22 First of all, Mr. Erens?

23 MR. ERENS: Yes.

24 MR. LYONS: Mr. Barrett?

1 MR. BARRETT: Yes.

2 MR. LYONS: And Mr. Thomas?

3 MR. THOMAS: Yes.

4 MR. LYONS: Okay. Please confirm pursuant  
5 to the bidding procedures and on behalf of your  
6 company that your company is not engaged in any  
7 collusion with respect to the bidding process for  
8 the sale.

9 Mr. Erens?

10 MR. ERENS: Not to my knowledge.

11 MR. LYONS: Mr. Barrett?

12 MR. BARRETT: That's true.

13 MR. LYONS: That is true that they have  
14 not?

15 MR. BARRETT: That they have not engaged  
16 in any collusion with respect to the sale.

17 MR. LYONS: Mr. Thomas?

18 MR. THOMAS: We have not engaged in any  
19 collusion.

20 MR. LYONS: Thank you. We also believe it  
21 would be helpful for the primary creditor  
22 constituencies and the creditors' committee who are  
23 present today to be free to ask any questions on the  
24 record to ensure that the terms put on the record by

1 the bidders are clear and fully understand by the  
2 parties. Therefore, we welcome your participation.

3 Okay. At this point I would ask  
4 ND Acquisition that Mr. Erens can affirm to the best  
5 of his knowledge that Exhibit Number 4 contains the  
6 Sale and Purchase Agreement dated January 15, 2008,  
7 as agreed by and between Delphi Automotive Systems  
8 LLC and ND Acquisition and that they are the  
9 schedules to that bid to the best of your knowledge.

10 MR. ERENS: I would say in response to  
11 that question that our Asset Purchase Agreement was  
12 filed with the Bankruptcy Court and that document  
13 reflects the Asset Purchase Agreement that was  
14 agreed to but did not include the schedules and  
15 exhibits.

16 We did do a cursory review of the  
17 schedules and exhibits in the binder. They appear  
18 to be what was agreed to, but I can't say we have  
19 done a line by line, and I guess our agreement would  
20 be subject to certain manifest error or errors  
21 compared to what was finally agreed.

22 MR. LYONS: Okay. Thank you. I would ask  
23 Mr. Barrett if he can affirm to the best of his  
24 knowledge that Exhibit Number 5 represents WND's

1 offer dated February 12th, 2008, for the bearings  
2 business.

3 MR. BARRETT: I can affirm that Exhibit  
4 Number 5 constitutes our offer. I note that  
5 Exhibit 5-C, which is the executed copy of the Sale  
6 and Purchase Agreement, appears not to include the  
7 exhibits and schedules. However, marked copies of  
8 those that are different from the ND agreement are  
9 included in Exhibit 5-B.

10 MR. LYONS: Okay.

11 MR. BARRETT: And obviously again barring  
12 any manifest error, I affirm that this is the  
13 document we submitted as our bid.

14 MR. LYONS: Okay. So your bid then  
15 constitutes Exhibit 5 and 5-B?

16 MR. BARRETT: That's right.

17 MR. LYONS: Okay. I would ask Mr. Thomas  
18 to affirm to the best of his knowledge that Exhibit  
19 Number 11 represents Kyklos' offer dated  
20 February 19, 2008, for the bearings business.

21 MR. THOMAS: I think it's Exhibit 6.

22 MR. LYONS: I'm sorry, Exhibit 6,  
23 Mr. Thomas.

24 MR. THOMAS: Yes. However, I believe that

1 the schedules and exhibits were tendered to you  
2 separately and are not in this document.

3 MR. LYONS: Understood. But Exhibit 6 was  
4 the offer dated February 19, 2008, to the best of  
5 your knowledge?

6 MR. THOMAS: February 11.

7 MR. LYONS: I'm sorry, February 11th.  
8 Okay. Thank you.

9 MR. ERENS: John, I'd also say that our  
10 offer includes the other items you referenced  
11 already, our equity commitment letter, financing  
12 waiver and approval letter.

13 MR. LYONS: Yes, I'm coming to that in a  
14 second.

15 Okay. Does any party have any objection  
16 to the auction or sale process?

17 First of all, ND Acquisition?

18 MR. ERENS: Subject to what unfolds coming  
19 forward, I would say not to date.

20 MR. LYONS: But as of right at this  
21 moment?

22 MR. ERENS: With a reservation of what  
23 happens going forward.

24 MR. LYONS: Okay. But as of right now

1 there are no objections?

2 MR. ERENS: That's correct.

3 MR. LYONS: Okay. WND Acquisition?

4 MR. BARRETT: As of right now there are no  
5 objections.

6 MR. LYONS: And Kyklos?

7 MR. THOMAS: The same.

8 MR. LYONS: Thank you.

9 MR. ERENS: John, I'm sorry, I guess I  
10 would say, I'm not sure this is directly in response  
11 to your question, but it is the position of  
12 ND Acquisition that our bid as filed with the Court  
13 is better than the WND bid that the debtor and the  
14 committee chose as the lead bid.

15 MR. LYONS: Understood.

16 Delphi's position is that a bidder's  
17 participation by submitting a subsequent bid in the  
18 auction will waive any objection or claim relating  
19 to the bidding process and including any objection  
20 or claim that any other bid does not constitute a  
21 qualified bid or successful bid, both as defined in  
22 the bidding procedures.

23 Can each of the parties confirm that by  
24 submitting a subsequent bid that you're waiving any

1 such objection or claim?

2 First of all, ND Acquisition?

3 MR. ERENS: I apologize, I'm not sure I  
4 followed all that. By submitting a subsequent bid  
5 we're waiving what?

6 MR. LYONS: You're waiving any objection  
7 or claim with respect to the sale process by  
8 submitting a subsequent bid at this auction.

9 MR. ERENS: I'm sorry, one minute.  
10 I'm not quite sure how to respond to that,  
11 but I guess what I'll say is that if we submit a  
12 subsequent bid, it will be with whatever  
13 reservations we may indicate at the time and that it  
14 is probable but subject to further reservations that  
15 we will not object to the process up to that time.

16 MR. LYONS: Okay. Can I at least ask if  
17 you do submit a subsequent bid you make as part of  
18 that bid any reservation, put any reservation on the  
19 record?

20 MR. ERENS: I guess what you're saying,  
21 and this is fair, that if we make a subsequent bid  
22 and are silent, then it is a waiver. If we make  
23 reservations, then those will be taken into account.

24 MR. LYONS: Thank you. And the same is

1 true for WND Acquisition?

2 MR. BARRETT: The same would be true for  
3 WND Acquisition.

4 MR. LYONS: And is the same true for  
5 Kyklos?

6 MR. THOMAS: That would be fine.

7 MR. ERENS: We, by the way, are not  
8 waiving the position again, to the extent this is an  
9 objection, that we believe our current bid is still  
10 better than the WND bid.

11 MR. LYONS: Understood.

12 ND Acquisition, do you confirm that  
13 ND Acquisition amended its January 15th bid to  
14 include the documents set forth in Exhibits 7, 8 and  
15 9 in the exhibit binder that are not inconsistent  
16 therewith and that such agreement, again that's  
17 including Exhibits 7, 8 and 9, now constitutes  
18 ND Acquisition's current bid?

19 MR. ERENS: That is correct.

20 John, you made one statement earlier. I  
21 just wonder if this is an appropriate time to  
22 clarify. The document speaks for itself and that  
23 document is the Bidding Procedures Order. You said  
24 that ND Acquisition would be entitled to a breakup

1 fee if among other things it waived its financing  
2 contingency.

3 MR. LYONS: Yes.

4 MR. ERENS: To the extent the among other  
5 things referenced are the Asset Purchase Agreement,  
6 we would not disagree with that. To the extent the  
7 Bidding Procedure Order changes, the document speaks  
8 for itself. The only requirement was we waive the  
9 contingency on financing. Those are the only  
10 changes.

11 MR. LYONS: I understand your position.  
12 What I just want to have you confirm though, that  
13 you did waive the financing contingency.

14 MR. ERENS: That is correct, and our view  
15 is as a result we are fully entitled to the breakup  
16 fee and expense reimbursement per the Asset Purchase  
17 Agreement.

18 MR. LYONS: Okay. Very good. Understood.  
19 Okay. Before we begin bidding, I want to  
20 make a few clarifications.

21 First, the debtors have concluded that  
22 it's highly unlikely that a competitive operating  
23 agreement with the UAW will be entered prior to  
24 closing, so Delphi has evaluated each of the bids

1 under that assumption.

2 As a result, Delphi ascribes a value of  
3 18.2 million to ND Acquisition's current opening  
4 bid, a value of 18.45 million to WND Acquisition's  
5 current opening bid, and a value of 17.221 million  
6 to Kyklos' current opening bid, which again is the  
7 bid that was submitted before the bidding deadline.

8 Delphi has deducted 1.5 million to reflect  
9 the \$1.5 million breakup fee approved by the  
10 Bankruptcy Court payable to ND Acquisition if the  
11 breakup fee obligation is triggered. Thus, if and  
12 when ND Acquisition makes a subsequent bid, Delphi  
13 will automatically credit the breakup fee to  
14 ND Acquisition's bid. ND Acquisition does not need  
15 to include the breakup fee in its bid.

16 Delphi has, however, not given any credit  
17 for the expense reimbursement provision because the  
18 other two bidders, Kyklos and WND Acquisition, have  
19 committed to pay in addition to the purchase price  
20 the amount of the expense reimbursement up to  
21 \$1 million as provided in the Bidding Procedures  
22 Order.

23 Second, to be clear, in accordance with  
24 the bidding procedure, submission of a subsequent

1 bid by either bidder constitutes an irrevocable  
2 offer to purchase the bearings business at the price  
3 and terms and conditions of the subsequent bid, and  
4 such bid must remain open through two business days  
5 after closing of the sale. Delphi intends to seek  
6 court approval of and will enforce both the highest  
7 bid, the successful bid, and the next highest  
8 alternative bid, which is the alternative bid.

9 Thus, for example, if Bidder X submits a  
10 bid of \$48 million in the first round, topped by  
11 Bidder Y with a bid of 50 million, and Bidder X  
12 subsequently submits a higher bid of 52 million, and  
13 Bidder Y submits a final winning bid of 54 million,  
14 Delphi will seek approval of and will be able to  
15 close on both the highest bid of 54 million with  
16 Bidder Y, and if unable to close on this bid, Delphi  
17 would close the next highest bid of 52 million with  
18 Bidder X without need for further court approval.

19 Do the bidders clearly understand and  
20 confirm this requirement?

21 First, ND Acquisition?

22 MR. ERENS: Are your statements referring  
23 only to subsequent overbids?

24 MR. LYONS: It is, yes, subsequent

1 overbids.

2 MR. ERENS: So your statements don't refer  
3 to the current ND Acquisition bid?

4 MR. LYONS: That is correct. Again, I  
5 think for that we can have a separate confirmation,  
6 but just under this example, do you confirm that  
7 that's ND Acquisition's understanding?

8 MR. ERENS: Yes, that's fine.

9 MR. LYONS: WND Acquisition?

10 MR. BARRETT: Yes.

11 MR. LYONS: And Kyklos?

12 MR. THOMAS: John, on behalf of Kyklos, I  
13 think we need to supplement and clarify the record  
14 in a certain respect.

15 Exhibit 6 was the bid that Kyklos  
16 submitted on February 11th. That bid was  
17 supplemented on February 13th, and subsequent to  
18 the supplementation on February 13th, on  
19 February 14th we received a letter from Delphi  
20 that determined that the bid as supplemented  
21 constitutes a qualified bid under the bearings  
22 Bidding Procedures Order.

23 I'd like this letter from Delphi to be  
24 Exhibit 11, and it clarifies that there was a

1 supplemental February 13th bid that's not in this  
2 binder with a modified contract that was deemed a  
3 qualified bid by Delphi.

4 MR. LYONS: Okay. Let me confirm. I  
5 thought the February 13th was in the binder.

6 Yes, it's under Exhibit C.

7 MR. THOMAS: Okay. I still I think for  
8 clarification in the record would like as Exhibit 11  
9 the February 14th letter.

10 MR. LYONS: We will make it part of the  
11 record.

12 Would you like to see a copy of this  
13 before we mark it?

14 MR. SCHAEFFER: Yes. We have not seen it.

15 MR. LYONS: Okay. We would like to mark  
16 that as Exhibit 11.

17 Okay. We're now going to be ready to open  
18 up the floor for subsequent bids. As we've  
19 indicated earlier, Delphi has determined that the  
20 WND Acquisition bid is the lead bidder going into  
21 this auction. Furthermore, Delphi views any  
22 differences in terms between the WND bid and the  
23 ND Acquisition bid as not being material. As a  
24 result, WND's bid is \$250,000 higher in Delphi's

1 view.

2 And therefore, first I would like to ask  
3 ND Acquisition, does ND Acquisition wish to submit a  
4 competing bid under the bidding procedures?

5 MR. ERENS: Actually I wanted one  
6 clarification before we answer that. My  
7 understanding is WND had a provision in its contract  
8 that provided that if ND Acquisition did not  
9 participate in the auction the purchase price would  
10 be reduced. I assume it's all parties'  
11 understanding and agreement that we are  
12 participating in the auction so that their price is  
13 the higher price, not the lower price.

14 MR. LYONS: We could confirm with  
15 ND Acquisition. It's certainly the debtors' view  
16 that ND Acquisition is participating in the auction.

17 Can we get a confirmation from  
18 WND Acquisition that they believe --

19 MR. ERENS: To be clear, that's whether or  
20 not we make a subsequent bid.

21 MR. LYONS: I understand. Can we get that  
22 confirmation?

23 MR. BARRETT: From what we have seen, it  
24 is apparent to us that the higher bid controls. If

1 there are no other bids placed here today, we  
2 reserve our rights, but from basically what we see  
3 today, we believe the higher bid controls.

4 MR. LYONS: But can you confirm on the  
5 record that ND Acquisition in your view is  
6 participating in the auction?

7 MR. BARRETT: I haven't heard them make a  
8 bid yet.

9 MR. ERENS: Well, the obvious difficulty  
10 is we're not sure what your bid is.

11 MR. BARRETT: I think I'm not going to  
12 waive or commit forever the argument that they have  
13 or have not participated in the auction. Again, it  
14 appears to us that the conditions in our bid for the  
15 higher price have been satisfied.

16 MR. LYONS: It is Delphi's position that  
17 you are participating in the auction.

18 MR. ERENS: Okay. The second question is,  
19 and maybe you stated this and I missed it and I  
20 apologize, is the debtor saying that the current WND  
21 bid is exactly what was provided to us on whatever  
22 date that was and there have been no modifications?

23 MR. LYONS: That is correct. And  
24 furthermore, I ask WND to confirm that as well.

1 MR. BARRETT: The current bid is the bid  
2 submitted on I think February 12th that is part of  
3 Exhibit 5 in the exhibit binder.

4 MR. ERENS: Okay. One minute.  
5 We would like a five-minute recess. Thank  
6 you.

7 MR. LYONS: Okay. Very good.  
8 (Whereupon, a short recess was  
9 taken.)

10 MR. LYONS: Before we hear from  
11 ND Acquisition, I do want to confirm just in case  
12 there's an ambiguity, WND and Kyklos, when I valued  
13 the bid, that does not include the one and a half  
14 million dollar breakup fee which both bidders will  
15 pay in the event that they are the successful  
16 bidder.

17 Can WND confirm that?

18 MR. BARRETT: We understood that.

19 MR. LYONS: Kyklos?

20 MR. THOMAS: Tell me, what do you mean by  
21 that?

22 MR. LYONS: Earlier I had stated how  
23 Delphi valued the bid, and I had valued or Delphi  
24 had valued the WND bid at \$18,450,000. That does

1 not include the one and a half million dollars that  
2 will in addition have to be paid by WND should it be  
3 the successful bidder. The 18.45 is net of the  
4 breakup fee.

5 MR. THOMAS: Okay. I follow you.

6 MR. LYONS: Do you understand?

7 MR. THOMAS: Yes.

8 MR. LYONS: Thank you. So again, any bid  
9 that Kyklos may submit will be net of the breakup  
10 fee which Kyklos will undertake to pay in the event  
11 that Kyklos is the successful bidder.

12 MR. THOMAS: Any bid we may submit will be  
13 in accordance with the APA, and the numbers are what  
14 they are, and what you do with that bid in terms of  
15 paying a breakup fee or not is your issue, not our  
16 issue.

17 MR. LYONS: I guess what I'm saying, in  
18 order to compare apples to apples, any amount that  
19 Kyklos would submit as a bid, added onto that would  
20 be one and a half million dollars to pay for the  
21 breakup fee in accordance with the APA, just to be  
22 apples to apples.

23 MR. THOMAS: John, I'm not sure I can --  
24 I'm not sure I can answer the question. We will

1 be -- any subsequent bids will be based on an APA  
2 based on a provision, you know, with a purchase  
3 price, and we will be adding to that and you'll be  
4 doing your deduction and netting the breakup fee.  
5 In other words, the breakup fee is already sort of  
6 part of the initial qualified bid that we made.

7 MR. LYONS: To be apples to apples to make  
8 sure there's no confusion, the purchase price for  
9 the current lead bid, WND, would be 18.45 million  
10 plus 1.5 million, plus again an additional amount to  
11 pay expense reimbursement up to \$1 million.

12 So the purchase price would be  
13 19.95 million plus an additional amount up to  
14 \$1 million to pay the expense reimbursement of a  
15 stalking horse if we close with a purchaser other  
16 than the stalking horse.

17 MR. THOMAS: John, I think the bid that  
18 was qualified has a purchase price of in  
19 Section 3.2.1 from Kyklos \$45,950,000, quote, plus  
20 the expense reimbursement, closed quote. However  
21 you got to value that bid at 17.2, you know, with  
22 the deduction of the breakup fee is -- you can apply  
23 it however you want to be apples to apples, but if  
24 we make subsequent bids, we will be in effect

1 adjusting the 45,950,000 purchase price. However  
2 you value it, you value it, but that's the number  
3 that would change in our APA.

4 MR. LYONS: Understood, understood. When  
5 we get to whether Kyklos submits a bid, why don't we  
6 take that up at that time just to make sure there's  
7 clarification so everybody understands what the bid  
8 is.

9 Okay. Back to ND Acquisition, do you wish  
10 to submit a competing bid versus the lead bid of  
11 WND?

12 MR. ERENS: Based on our understanding  
13 that the current WND bid is exactly as in the  
14 binder, there has been no subsequent amendments,  
15 ND Acquisition is passing at this point without  
16 prejudice to its right to make a subsequent bid  
17 later in the auction.

18 MR. LYONS: Understood. Okay. I turn to  
19 Kyklos.

20 Would Kyklos like to submit a competing  
21 bid in response to the lead bid of WND?

22 MR. THOMAS: Yes. John, Mark Thomas on  
23 behalf of Kyklos. I just would like the record to  
24 reflect that it is 8:40 p.m. We started this

1 auction at about 7:45 p.m. Kyklos has been here at  
2 these offices since 10:00 o'clock a.m. and has spent  
3 that time negotiating the Asset Purchase Agreement  
4 that was submitted by us on February 13th, which  
5 is Exhibit 6-C, in good faith with the debtors and  
6 Delphi and have reached a bunch of modifications to  
7 that purchase agreement.

8 That Asset Purchase Agreement was a  
9 qualified bid as evidenced by Exhibit 11 of this  
10 record, and the bid was submitted in connection with  
11 a bid letter, which is Exhibit 6-A of this record,  
12 and Exhibit 6-A which is the Kyklos bid letter  
13 provides, and I quote, please be further advised  
14 that the bid evidenced by the marked agreement is  
15 irrevocable until two business days after the  
16 conclusion of the sale hearing, closed quote.

17 Kyklos is ready, willing and able to  
18 submit a new bid based upon a marked Asset Purchase  
19 Agreement, but any bid that we submit will only be  
20 made in conjunction with the bid letter dated  
21 February 11th, Exhibit 6-A, which provides that  
22 our bid is irrevocable and open until two business  
23 days after the conclusion of the sale hearing. We  
24 will not submit a bid that is open longer than the

1 time period set forth in our February 11th bid  
2 letter.

3 MR. LYONS: Do you wish to submit a bid?

4 MR. THOMAS: Only in accordance with the  
5 provisions set forth in our February 11th bid  
6 letter, which was qualified by Exhibit 11.

7 MR. LYONS: Okay. We're going to take a  
8 recess.

9 (Whereupon, a short recess was  
10 taken.)

11 MR. LYONS: In order to understand Kyklos'  
12 request and be able to assess it, we need to  
13 understand what the terms of the bid will be.

14 Does Kyklos intend to submit the bid  
15 subject to the reservation that Kyklos will maintain  
16 that the bid will be irrevocable through two  
17 business days after the sale hearing?

18 MR. THOMAS: John, Mark Thomas on behalf  
19 of Kyklos. For the record, Kyklos is willing to  
20 submit a marked Sale and Purchase Agreement that  
21 would constitute an increase in the bid that was the  
22 qualified bid that is part of Exhibit 6, I believe  
23 6-C of the record.

24 We are only willing to submit that bid in

1 accordance with the terms of our February 11th bid  
2 letter, which provides that any bid would be open  
3 and irrevocable until two business days after the  
4 conclusion of the sale hearing.

5 Now, sale hearing is defined in our bid  
6 letter as referenced in the bid procedures order as  
7 February 21st, so Kyklos is willing to submit a  
8 modified Sale and Purchase Agreement that will  
9 remain open and irrevocable until Monday,  
10 February 25th, which is two business days after  
11 the sale hearing, provided, however, that if Kyklos  
12 is chosen as the successful bidder at the conclusion  
13 of this auction, our bid will remain open and  
14 irrevocable until the latter of Monday,  
15 February 25th or two business days after an  
16 adjourned sale hearing if that sale hearing occurs  
17 on March 19.

18 MR. LYONS: Okay. Would you like to mark  
19 your marked agreement as Exhibit 11 for the record?

20 MR. THOMAS: It would be Exhibit 12.

21 MR. LYONS: I'm sorry, Exhibit 12.

22 MR. THOMAS: Exhibit 12, for the record,  
23 and I will tender it to the court reporter, John.  
24 It is a red-lined Sale and Purchase Agreement that

1 we've been working on with your colleagues.

2 There are two handwritten changes. The  
3 first handwritten change is on the front page. The  
4 date is handwritten as February 19th. And  
5 similarly on the first page, the date is handwritten  
6 changed to February 19th.

7 So I will submit this as Exhibit 12. We  
8 don't have a clean version.

9 MR. LYONS: Okay. Now, are there going to  
10 be other documents, other ancillary agreements  
11 submitted in addition to the marked agreement to  
12 complete the record as to what Kyklos' bid is?

13 MR. THOMAS: I believe that there is a  
14 revised and agreed upon transition services  
15 agreement that does not yet have the schedule  
16 attached to it, but I think the agreement has been  
17 negotiated. I don't know if we have the clean  
18 version.

19 MR. NEVERIL: We've provided that to the  
20 sellers and have not received it back.

21 MR. LYONS: I suggest the following.  
22 Let's take a very short recess to have all the  
23 components of the new revised bid, make copies for  
24 the other parties to review, and then we will take a

1 recess once we mark the new bid into the record so  
2 we can consider it and so the other parties can  
3 consider it in whether or not to formulate their own  
4 competing bid.

5 MR. BARRETT: John, I have a question.  
6 Will the seller advise the parties of how it values  
7 this bid since the earlier bid was valued less than  
8 what was necessary for a qualified bid?

9 MR. LYONS: We need to deliberate and  
10 decide exactly how we view that bid. We need to  
11 review it first, so we will report back on the  
12 record how we do so or if we do so.

13 Let's take a short recess to make sure we  
14 have all the components of the bid.

15 (Whereupon, a short recess was  
16 taken.)

17 MR. LYONS: Back on the record.

18 Delphi has determined to adjourn the  
19 auction until 11:00 a.m. tomorrow.

20 Do any of the parties have any objection  
21 to that?

22 MR. ERENS: Central?

23 MR. LYONS: 11:00 a.m. Central, yes.

24 WND, any objections?

1 MR. BARRETT: None.

2 MR. ERENS: None.

3 MR. THOMAS: Not really.

4 MR. LYONS: Okay. We will endeavor to get  
5 out to the parties marked versions of what we  
6 anticipate will be the bid submitted by Kyklos  
7 tomorrow by e-mail tonight so it will give you an  
8 opportunity to view the red-lined changes against  
9 the lead bid and also against the stalking horse  
10 bid, so you'll get it tonight or tomorrow morning,  
11 but we will try to get that out tonight, and then if  
12 there are any changes to that, we will go through it  
13 on the record tomorrow morning.

14 That's it.

15 (Whereupon, the proceeding was  
16 adjourned at 10:20 p.m.)

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C E R T I F I C A T E

STATE OF ILLINOIS     )  
                                  ) SS:

COUNTY OF C O O K     )

The within and foregoing proceeding was reported in shorthand by GREG S. WEILAND, CSR, within and for the County of Cook and State of Illinois, on the 19th day of February, 2008, at the hour of 7:44 p.m., at 333 West Wacker Drive, Suite 1900, in the City of Chicago, Cook County, Illinois.

The proceedings were taken down in shorthand by the undersigned, acting as stenographer; and the within and foregoing is a true, correct and complete record of all of the proceedings had at the time and place hereinabove referred to.

The undersigned is not interested in the within case, nor of kin or counsel to any of the parties.

Witness my official signature and seal as Notary Public in and for Cook County, Illinois, on this 26th day of February, 2008.

\_\_\_\_\_  
GREG S. WEILAND, CSR

License No. 084-003472

1 INDEX

2 February 19th, 2008

3 EXHIBITS

4 NUMBER DESCRIPTION PAGE

5 1 Expedited Motion for Orders under 5

6 11 U.S.C. Sections 363, 365, and

7 1146 and Federal Rule of

8 Bankruptcy Procedure 2002, 6004,

9 6006 and 9014(A)(I) Approving

10 Bidding Procedures, (II) Granting

11 Certain Bid Protections, (III)

12 Approving Form and Manner of Sale

13 Notices, and (IV) Setting Sale

14 Hearing Date and (B) Authorizing

15 and Approving (I) Sale of Debtors'

16 Assets Primarily Used in Debtors'

17 Bearings Business Free and Clear

18 of Liens, Claims, and

19 Encumbrances, (II) Assumption and

20 Assignment of Certain Executory

21 Contracts and Unexpired Leases,

22 and (III) Assumption of Certain

23 Liabilities

24

EXHIBITS (CONTINUED)

NUMBER	DESCRIPTION	PAGE
2	Order Under 11 U.S.C. Sections 363, 365, and 1146 and Federal Rule of Bankruptcy Procedure 2002, 6004, 6006 and 9014 Authorizing and Approving (I) Sale of Certain of Debtors' Assets Comprising Substantially All Assets Primarily Used in Debtors' Bearings Business Free and Clear of Liens, Claims, Interests, and Encumbrances, (II) Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, and (III) Assumption of Certain Liabilities	6

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3	Order Under 11 U.S.C. Section 363 and Federal Rule of Bankruptcy Procedures 2002 and 9014 (I) Approving Bidding Procedures, (II) Granting Certain Bid Protections, (III) Approving Form and Manner of Sale Notices, and (IV) Setting Sale Hearing Date in Connection with Sale of Debtors' Bearings Business	6
4	Sale and Purchase Agreement by and between Delphi Automotive Systems LLC and ND Acquisition Corporation dated as of January 15, 2008	6
5-A	Letter dated February 11, 2008	7
5-B	Sale and Purchase Agreement by and between Delphi Automotive Systems LLC and WND Acquisition Company LLC dated as of February 15, 2008	7

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5-D	Letter dated February 7, 2008	7
5-E	Letter dated February 11, 2008	7
6-A	Letter dated February 11, 2008	8
6-B	Document comparison done by Workshare DeltaView on Monday, February 11, 2008	8
6-C	Sale and Purchase Agreement by and Between Delphi Automotive Systems LLC and Kyklos, Inc., dated as of February 13, 2008	8
6-D	Sale and Purchase Agreement by and Between Delphi Automotive Systems LLC and Kyklos, Inc., dated as of February 13, 2008	8
6-E	Letter dated February 11, 2008	8
6-F	Letter dated February 11, 2008	8
7	Letter dated February 13, 2008	8
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IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF NEW YORK

-----X  
:  
In re : Chapter 11  
DELPHI CORPORATION, et al., : Case No. 05-44481  
Debtors. :  
:  
-----X

RECORD OF PROCEEDINGS held at the  
Bearings Business Auction of the Debtor, taken  
before JANET L. ROBBINS, CSR, pursuant to the  
Federal Rules of Civil Procedure for the United  
States Bankruptcy Court, at Suite 1900, 333 West  
Wacker Drive, in the City of Chicago, Cook County,  
Illinois, commencing at 12:25 p.m., on the 20th day  
of February, 2008.

1 PRESENT:

2 SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP

3 333 West Wacker Drive

4 Chicago, Illinois 60606-1285

5 (312) 407-0700

6 BY: MR. JOHN K. LYONS

7 MR. BRIAN M. FERN

8 MR. ERIC J. HOWE

9 E-mail: Jlyonsch@skadden.com

10 On behalf of the Debtors;

11  
12 JONES DAY

13 77 West Wacker Drive

14 Chicago, Illinois 60601-1692

15 (312) 782-3939

16 BY: MR. BRAD B. ERENS

17 MR. ADAM R. SCHAEFFER

18 E-mail: bberens@jonesday.com

19 aschaeffer@jonesday.com

20 On behalf of ND Acquisition

21 Corp.;

1 PRESENT (CONTINUED):

2 BARACK FERRAZZANO KIRSCHBAUM & NAGELBERG LLP

3 200 West Madison Street

4 Suite 3900

5 Chicago, Illinois 60606

6 (312) 984-3100

7 BY: MR. WILLIAM J. BARRETT

8 E-mail: william.barrett@bfkn.com

9 On behalf of WND Acquisition;

10  
11 WINSTON & STRAWN LLP

12 35 West Wacker Drive

13 Chicago, Illinois 60601-9703

14 (312) 558-3715

15 BY: MR. MARK K. THOMAS

16 E-mail: Mkthomas@winston.com

17 On behalf of Kyklos Inc.

1 MR. LYONS: Good afternoon. Welcome back.  
2 The sale hearing regarding the Bearings Business is  
3 now continuing. We last left the auction hearing  
4 with Delphi and Kyklos to review a bid that Kyklos  
5 submitted, which I understand from Kyklos will be  
6 marked as Exhibit 12 to be entered into the record.

7 Mr. Thomas, do you want to explain  
8 Exhibit 12?

9 MR. THOMAS: Yes. Thank you. Mark Thomas, on  
10 behalf of Kyklos, Inc.

11 Exhibit 12, I'm going to walk through  
12 it. There are several components of it. But as  
13 discussed last night on the record, Kyklos is going  
14 to submit a subsequent bid pursuant to Exhibit 12.  
15 This subsequent bid evidenced by Exhibit 12 is being  
16 submitted in conjunction with our February 11 bid  
17 letter, which is Exhibit 6A, and it's being  
18 submitted in conjunction with the terms that we put  
19 on the record last night before the adjournment.

20 The bid consists of Exhibit 12A, which  
21 is a modified sale and purchase agreement dated  
22 February 19th from Kyklos. Exhibit 12B is a black  
23 line of the modified February 19th agreement against  
24 the February 13th sale and purchase agreement

1 submitted by Kyklos.

2 Exhibit 12C is a red lined marked  
3 version of the Kyklos sale and purchase agreement  
4 against the WND Acquisition agreement, which was  
5 identified as the high bid at the commencement of  
6 the auction. And Exhibit 12D are marked red lined  
7 exhibits and schedules reflecting -- exhibits and  
8 schedules which are part of the Kyklos 12A  
9 subsequent bid marked against exhibits and schedules  
10 submitted by the stalking horse bidder.

11 Now, we understand that these marked  
12 agreements were circulated last night by Skadden to  
13 the qualified bidders and that the qualified bidders  
14 have received this package.

15 12A, the modified sale and purchase  
16 agreement, is the result of extensive arm's length  
17 negotiations between Kyklos and the debtors. The  
18 negotiations commenced with our February 11th bid,  
19 resulted in a revised bid on February 13th and have  
20 continued literally around the clock over the past  
21 24 hours to result in Section -- I'm sorry,  
22 Schedule -- Exhibit 12A, which is the modified sale  
23 and purchase agreement.

24 Kyklos believes that it has met all of

1 the requests that the debtors made to us in  
2 conjunction with modifications to the bid.

3 To further evidence speed and certainty  
4 of closing, we have waived Section 7.2.4 of the bid,  
5 which was the General Motors conditions to closing.  
6 We've increased the purchase price in 3.1 by  
7 \$250,000, which is the increment required under the  
8 bidding procedures.

9 We think this bid matches and beats all  
10 contractual terms in all bids. And we believe that  
11 our bid, we have the human and capital resources to  
12 quickly move forward with a closing. We have  
13 experience in 363 sales and in operational  
14 turnarounds, and we've got a management team that is  
15 ready to take this business and run with it.

16 I'll tender to court reporter  
17 Exhibit 12.

18 MR. LYONS: Could you mark that as Exhibit 12.

19 (WHEREUPON, a certain document was  
20 marked Exhibit Nos. 12A, 12B, 12C  
21 and 12D for identification.)

22 MR. LYONS: If we can have a moment just so we  
23 can review Exhibit 12.

24 MR. THOMAS: John, if I may, there's, I think,

1 an important point of clarification I should raise  
2 on the record, and that is with respect to the  
3 waiver of the General Motors conditions in Section  
4 7.2.4, Kyklos has, in fact, reached an agreement, an  
5 executed supply agreement, with General Motors  
6 subject, of course, to Kyklos ultimately being the  
7 successful bidder and approved by the bankruptcy  
8 court as a sale hearing.

9 MR. LYONS: Do we have someone here from  
10 General Motors who can speak on General Motors'  
11 behalf?

12 MR. GORMAN: Frank Gorman on behalf of General  
13 Motors Corporation. The representation is correct,  
14 there is a signed component supply agreement  
15 contingent on the closing between General Motors  
16 Corporation and Kyklos.

17 MR. LYONS: Thank you.

18 (WHEREUPON, there was a pause  
19 in the proceedings.)

20 MR. LYONS: The debtors have had an  
21 opportunity to review Exhibit 12, and the debtors  
22 can confirm that that was the version of the MSPA  
23 that was circulated to the parties last night.

24 Furthermore, the debtors confirm receipt

1 of that bid. Based upon the terms, the debtors  
2 ascribe a -- and I will say a preliminary value,  
3 since we still need to complete the full process,  
4 including the determination of a successful bidder,  
5 but a preliminary value of \$18.7 million. And I can  
6 go through of how we arrived at that number and then  
7 answer any questions that you may have.

8 Originally, the debtors valued the  
9 February 13th Kyklos bid at \$17.221 million. That  
10 is primarily based upon the inclusion of language in  
11 the old 6.7E and 6.62 of the Kyklos MSPA, which  
12 addressed certain salaried OPEB obligations as well  
13 as the sharing of transfer taxes.

14 In the revised Exhibit 12, those  
15 provisions have been modified and/or eliminated. So  
16 in the debtors' view, the previous amounts that were  
17 discounted from their -- from their bid have been  
18 removed. So the 17.221, based upon the changes  
19 and/or elimination of language in those two  
20 provisions, would now pull even to the WND bid with  
21 a value of \$18.45 million.

22 Also in Exhibit 12, Kyklos has increased  
23 the purchase price by \$250,000. They've raised the  
24 purchase price from \$45,950,000 to \$46,200,000.

1           As I previously stated on the record,  
2   the debtors view the ability to obtain a competitive  
3   operating agreement as being very remote before  
4   closing. So we have, in essence, netted the \$26  
5   million against that purchase price. So when all  
6   things considered, everything added together, the  
7   debtors value the bid at \$18.7 million.

8           With respect to terms, the debtors  
9   believe on balance the terms of Exhibit 12 are more  
10   favorable than the WND bid or even the previous  
11   stalking horse bid by ND Acquisition primarily  
12   because of the elimination of the two closing  
13   conditions in 7.2.4 as well as 7.2.6. So, again,  
14   the terms in the debtors view are superior and the  
15   price under the MSPA is \$250,000 higher.

16           So at this point, I would invite WND in  
17   the first instance, does WND wish to submit a  
18   competing bid?

19           MR. BARRETT: John, William Barrett from WND.  
20   We will ask to caucus in a few minutes to consider  
21   that, but I do have a few questions I'd like to ask.

22           Is there any discount applied or  
23   consideration given to the fact that the bid is  
24   submitted under the February 11th, 2008 letter which

1 includes a provision contrary to the bidding  
2 requirements that the bid is revocable unless -- I'm  
3 paraphrasing here, but unless -- it's revocable  
4 after two days from the sale hearing?

5 MR. LYONS: The debtors have not ascribed a  
6 monetary amount to that. We are reserving on that  
7 issue. That certainly will be reviewed in the  
8 context of reviewing bids that are submitted at this  
9 auction.

10 MR. BARRETT: Last night we heard from counsel  
11 for the bidder that they had, in fact, agreed to  
12 modify that sentence in the February 11th, 2008  
13 letter, I recall, making a distinction between --  
14 perhaps between whether or not it was the winning  
15 bid out of the auction or an auction at bid.

16 Is there anything in writing that other  
17 bidders can look at that tells us what the current  
18 language is that would replace the sentence in the  
19 February 11th letter?

20 MR. LYONS: I do not believe so. I believe  
21 Mr. Thomas stated that on the record last night.

22 Would you like a clarification from  
23 Mr. Thomas?

24 MR. BARRETT: We would like a clarification or

1 something in writing, even just an e-mail or  
2 something that we can look at in writing.

3 MR. LYONS: Mr. Thomas, could you restate  
4 that?

5 MR. THOMAS: Yes. First of all, we've been  
6 told that the sale hearing, which was originally set  
7 for tomorrow, February 21st, is being adjourned.  
8 It's not going to go forward tomorrow. It is being  
9 adjourned to March 19th.

10 So to clarify, Exhibit 12, the  
11 subsequent bid, is submitted in conjunction and  
12 connection with the February 11 bid letter,  
13 Exhibit 6A. And so long as the Kyklos bid is chosen  
14 as the successful bidder, it will remain open and  
15 irrevocable until two business days after the  
16 adjourned sale hearing of March 19th.

17 MR. LYONS: And should Kyklos not be chosen as  
18 the successful bidder, the bid will remain  
19 irrevocable through the close of business on  
20 February 25th?

21 MR. THOMAS: Yes.

22 MR. BARRETT: I have another question and  
23 clarification. Just to confirm that Exhibit 8.2.3  
24 to the Kyklos offer is the transition services

1 agreement and that Schedule A to that exhibit is not  
2 yet complete, am I correct?

3 MR. LYONS: I believe that is accurate. Maybe  
4 Mr. Thomas can also confirm that.

5 MR. THOMAS: That is accurate.

6 MR. BARRETT: Then I want to confirm, John,  
7 because you said that that -- since the copy we were  
8 to have received by e-mail early this morning, that  
9 there are no changes to the bid that was tendered as  
10 Exhibit 12 including the exhibits?

11 MR. LYONS: I can confirm that there have been  
12 no changes.

13 MR. BARRETT: Thank you. We would like to  
14 caucus -- one moment, please.

15 MR. LYONS: Sure.

16 (WHEREUPON, there was a pause  
17 in the proceedings.)

18 MR. BARRETT: We just have one question.  
19 There appears to be some bracketed language in the  
20 bid that is Exhibit 12. Do we understand that that  
21 bracketed language part of the contract or does that  
22 indicate matters that still need to be negotiated?

23 MR. LYONS: Can you direct us to some  
24 reference?

1 MR. BARRETT: John, without taking -- we'll  
2 have to pass that for now.

3 MR. LYONS: Okay. Very good. Shall we resume  
4 in ten minutes, 15 minutes, half an hour?

5 MR. BARRETT: I think at least a half hour.

6 MR. LYONS: Okay. Let's resume in a half an  
7 hour.

8 MR. THOMAS: John, just one thing for the  
9 record, and I'm just going to do this once so  
10 we don't have to do it, in terms of  
11 characterizations made by other bidders regarding  
12 our bid in our February 11th bid letter, I'm not  
13 going to burden the record, but we disagree with any  
14 characterizations that would suggest that our bid  
15 was not in accordance with the bid procedures and is  
16 not otherwise a qualified bid pursuant to the  
17 debtors' discretion, which are set forth in those  
18 bid procedures.

19 MR. LYONS: And all parties' rights are  
20 reserved on that issue.

21 MR. THOMAS: Thank you.

22 MR. LYONS: We'll resume in a half hour.

23 (WHEREUPON, a recess was had.)

24 MR. LYONS: Back on the record.

1                   We will resume the auction for the  
2   Bearings Business. The last bid has been submitted  
3   by Kyklos, which is reflected as Exhibit 12 to the  
4   auction record.

5                   I ask WND, does it wish to submit a  
6   competing bid under the auction procedures?

7           MR. BARRETT: John, William Barrett for WND  
8   Acquisition Company. Yes, we do wish to submit a  
9   competing bid. This bid is submitted under our  
10   February 11th cover letter to which we made the  
11   changes. If I could hand up to you what I've marked  
12   as Exhibit 13A, which is a clean copy of the bid,  
13   and 13B, which is a marked copy. I would like to  
14   make a few comments regarding the bid.

15           MR. LYONS: Very good. Thank you.

16                   (WHEREUPON, certain documents were  
17                   marked Exhibit Nos. 13A and 13B for  
18                   identification.)

19           MR. BARRETT: In making this bid, WND has  
20   adopted the form of agreement that was proposed by  
21   Kyklos in its last bid, and the marked copy, which I  
22   have passed to each of the other bidders, is showing  
23   changes against the last Kyklos bid.

24                   Other than changes of names and some

1 similar minor changes, there are essentially three  
2 changes in this bid from the last Kyklos bid, and  
3 that's in Section 3.1.5, the amount of the deposit.  
4 The deposit amount has been doubled from \$750,000 to  
5 \$1.5 million, payable upon designation of WND as the  
6 successful bidder.

7 There is a small typo in Section 3.1.5,  
8 which I corrected by hand, in the exhibit and the  
9 ones I've handed out.

10 In addition to Section 3.2.1, the  
11 purchase price has been increased by a half million  
12 dollars to \$46.7 million, and an additional covenant  
13 in Section 6.23, an obligation on the part of the  
14 buyer, WND, to enter into a supply agreement with  
15 General Motors on terms and conditions substantially  
16 similar to those that exist between Kyklos and  
17 General Motors.

18 We have not had time to assemble  
19 exhibits and schedules, but we would adopt those of  
20 Kyklos as well.

21 MR. LYONS: We would like to take a very short  
22 adjournment so we can read through the red line. I  
23 don't expect it to be longer than five minutes.

24 (WHEREUPON, a recess was had.)

1 MR. LYONS: Back on the record.

2 The debtors have reviewed Exhibit 13,  
3 and the debtors ascribe a preliminary value of that  
4 bid to be \$19.2 million. Again, the debtors reserve  
5 the right to review all factors at the conclusion of  
6 the bidding process in determining who the  
7 successful bidder will be, including closing risk  
8 and other factors.

9 Again, the preliminary valuation was  
10 derived from the increase of \$500,000, in addition  
11 to the purchase price set forth on Exhibit 12.  
12 Also, there's a betterment in terms regarding the  
13 irrevocabability of the bid.

14 I would like to confirm, though, with  
15 WND: Do you confirm that the bid is irrevocable two  
16 business days after closing?

17 MR. BARRETT: That's right.

18 MR. LYONS: Thank you. Also, the debtors feel  
19 the increase in the deposit is a betterment to the  
20 bid, although there is no monetary amount associated  
21 with this, but it will be viewed in connection with  
22 assessing closing risk at the conclusion of the  
23 process.

24 With that, I would invite ND

1 Acquisition, if they have a competing proposal to  
2 the bid submitted by WND reflected as Exhibit 13.

3 MR. ERENS: Before we answer that, a couple of  
4 clarifying questions. In connection with the Kyklos  
5 bid, it was announced on the record that Kyklos had  
6 an executed supply agreement with General Motors. I  
7 did not hear anything to that effect in connection  
8 with the WND bid. We would ask: Does WND have an  
9 executed supply agreement with General Motors?

10 MR. BARRETT: Not at this moment.

11 MR. ERENS: I'm sorry, I could not hear.

12 MR. BARRETT: Not at this moment.

13 MR. ERENS: ND Acquisition would respectfully  
14 pass at this point without prejudice to bid later in  
15 the auction.

16 MR. LYONS: Very good. Does Kyklos wish to  
17 submit a competing bid in response to the WND bid  
18 reflected at Exhibit 13?

19 MR. THOMAS: We want to take a recess.

20 MR. LYONS: Very good.

21 (WHEREUPON, a recess was had.)

22 MR. LYONS: We will resume the auction. As we  
23 left it, I believe, Mr. Thomas, I had asked whether  
24 Kyklos would like to submit a competing bid in

1 response to WND's bid reflected as Exhibit 13.

2 MR. THOMAS: Thank you, John. On behalf of  
3 Kyklos, we, for the record, disagree with Delphi's  
4 preliminary conclusion that the bid of WND in  
5 Exhibit 13 is higher or otherwise better than the  
6 Kyklos bid. We believe that the bid of Kyklos as  
7 set forth in Exhibit 12 is higher or otherwise  
8 better and in the best interest of the estate  
9 because there is zero risk that our bid will not  
10 close. We have finished our agreements with GM.  
11 And there is great risk to the estate that,  
12 notwithstanding the increase in the deposit which  
13 would be the limitation of damages if there is not a  
14 closing of the WND bid, that there will not be a  
15 closing of a GM supply agreement on terms and  
16 conditions substantially similar to the Kyklos  
17 supply agreement.

18 Kyklos is in a unique situation. It's a  
19 forging business. We have a confidentiality  
20 provision such that our agreement with GM is not  
21 able to be shared or given to anybody else.

22 Additionally, in the event that that  
23 agreement is found by WND to contain terms that  
24 would be uneconomicable for them such that the

1 business could not be profitably operated, the  
2 estate will be in a situation where the proposed  
3 buyer, WND, does not close and there will be no  
4 backup bidders. We are not willing to be a backup  
5 bidder. And we believe that granting an option in  
6 these circumstances is inappropriate and we will  
7 stand on the bid reflected in Exhibit 12.

8 MR. LYONS: So no further bids from Kyklos?

9 MR. THOMAS: Correct.

10 MR. LYONS: I'll pass back to ND Acquisition.  
11 Does ND Acquisition wish to submit a competing bid  
12 in response to Exhibit No. 13?

13 MR. ERENS: We'd like to recess for a short  
14 period.

15 MR. LYONS: Very good.

16 (WHEREUPON, a recess was had.)

17 MR. LYONS: The Bearings Auction is resumed.

18 As we left it, ND Acquisition, do you  
19 wish to make a competing bid to Exhibit 13, which is  
20 the last bid submitted by WND?

21 MR. ERENS: Before I answer that, one  
22 question: Our understanding is that the WND bid has  
23 not changed from the prior time it was made at this  
24 auction and that there's still no supply agreement

1 executed between WND and GM?

2 MR. BARRETT: That's correct.

3 MR. ERENS: Thank you. At this time, ND  
4 Acquisition would like to pass without prejudice to  
5 bid again if this auction continues or if the debtor  
6 takes a bid other than the WND bid to court. And  
7 when I say "auction continues," that would be in  
8 form or substance, whether it's at this current  
9 auction or something that is similar to an auction  
10 from here through the sale hearing.

11 MR. LYONS: Okay. We'd like to take a recess.

12 (WHEREUPON, a recess was had.)

13 MR. LYONS: We're resuming the Bearings  
14 Auction. Currently there are two bids on the table,  
15 Exhibit 12, which is the bid of Kyklos, and also  
16 Exhibit 13, which is the last bid of WND.

17 Does any bidder wish to make any further  
18 bids?

19 First of all, WND?

20 MR. BARRETT: No.

21 MR. LYONS: ND Acquisition?

22 MR. ERENS: Not at this time, no.

23 MR. LYONS: And Kyklos?

24 MR. THOMAS: No.

1 MR. ERENS: We would request, however -- this  
2 is ND Acquisition -- that we be able to speak with  
3 WND at this time at the request of the debtor.

4 MR. LYONS: The debtors will give you  
5 permission. I'd like to put a short time limit on  
6 it. So could we adjourn for ten minutes and then  
7 report back?

8 MR. THOMAS: Before we adjourn, John, with  
9 respect to that, I have a few things: One is  
10 there's nothing in the bidding procedures order or  
11 the bidding procedures that authorizes qualified  
12 bidders during the commencement of an auction to  
13 join together and talk about any joint bid.

14 In the event that ND Acquisition seeks  
15 to revoke its stalking horse bid and revoke that  
16 offer to contemplate a different type of offer, then  
17 they should revoke the bid. I still don't think  
18 it's an appropriate exercise of discretion. It's  
19 outside the bidding procedures. There's nothing  
20 that says qualified bidders can get together and  
21 submit a joint bid. They shouldn't be entitled to  
22 any break-up fee or expense reimbursement if they're  
23 walking away from a bid to consider another bid.

24 And I think, frankly, after being here

1 for 24 hours starting at 10 yesterday and going  
2 through 10 o'clock at night, starting again today at  
3 11, here we are at 9 o'clock at night, it's  
4 completely inappropriate at this stage to allow  
5 these people to get together and try to figure out  
6 how they're going to share profits and losses, who's  
7 going to do the capital expenditures that are  
8 needed, who's going to fund the working capital and  
9 likewise. So I don't think it's authorized under  
10 the bidding procedures.

11 You can make procedural rules but  
12 certainly not changes in qualified bids and how  
13 they're submitted.

14 MR. LYONS: Duly noted. The debtors may take  
15 issue, but at this point, I think it's premature. I  
16 think we need to determine whether there will be a  
17 joint bid. So let's take a ten-minute recess and  
18 then report back.

19 (WHEREUPON, a recess was had.)

20 MR. LYONS: We're going to resume the auction.  
21 Is there a joint competitive bid between Resilience  
22 and WND for the Bearings Business?

23 MR. ERENS: No, there is no such bid. We do  
24 thank the debtor for accommodating our request. We

1 have no further bids at this time.

2 MR. BARRETT: John, that's true, there is no  
3 joint bid. Wanxiang does believe that its bid is  
4 the best bid economically.

5 I would also like to note, as the public  
6 bidder has, that Wanxiang has a global relationship  
7 with General Motors, that Wanxiang today supplies  
8 the same wheel hub as made in the Sandusky plant by  
9 using GM qualified forgings, which are made by  
10 Wanxiang --

11 THE COURT REPORTER: I'm sorry, I can't hear  
12 you. You have to bring your voice up.

13 MR. BARRETT: I'll repeat it. That Wanxiang  
14 had observed that it has made what it believes is  
15 the best bid here today, that it enjoys a worldwide  
16 relationship with General Motors, that particular  
17 wheel hub that is made in the Sandusky plant is made  
18 by Wanxiang in China from forgings that it makes in  
19 its own plant.

20 Thank you.

21 MR. LYONS: One second. Off the record.

22 (WHEREUPON, there was a pause  
23 in the proceedings.)

24 MR. LYONS: Okay. Having no further competing

1 bids, we're going to close the bidding portion of  
2 the auction and the debtors are going to retire to  
3 deliberate and determine which bid is the successful  
4 bid and which bid is the alternate bid. So we'll be  
5 back. Why don't we take a 15 -- how about a  
6 20-minute recess.

7 (WHEREUPON, a recess was had.)

8 MR. LYONS: The auction is resumed. One  
9 clarification for the record. There are references  
10 in the reps and warranties and the covenants "as of  
11 the date hereof" or "the date of this agreement."  
12 The debtors will confirm that means the date of the  
13 Kyklos bid, which is February 19th.

14 MR. THOMAS: 19th, and that would be for all  
15 purposes under the agreement.

16 MR. LYONS: Whenever it refers to the date  
17 hereof --

18 MR. THOMAS: Yes.

19 MR. LYONS: -- or the agreement. Is that  
20 enough?

21 MR. NEVERIL: I'm just making sure that's not  
22 just what are classically called covenants or reps  
23 and warranties. It's for all purposes under the  
24 contract.

1 MR. THOMAS: Wherever it appears in the  
2 agreement.

3 MR. LYONS: Whenever it refers to the  
4 agreement, the date hereof; the date of the bid is  
5 as of February 19th, 2008?

6 MR. THOMAS: Let me try it my way. I'm sorry,  
7 Mark Thomas on behalf of Kyklos. The Kyklos bid is  
8 Exhibit 12.

9 MR. LYONS: Yes.

10 MR. THOMAS: In that sale and purchase  
11 agreement in various places, the words, quote, "as  
12 of the date hereof," close quote, or, quote, "as of  
13 the date of this agreement," close quote, appear.  
14 The clarification is that whenever those words  
15 appear in our Exhibit 12, those words will be deemed  
16 to be February 19th, 2008.

17 MR. LYONS: The debtors will confirm that.

18 MR. THOMAS: Thank you.

19 MR. LYONS: Okay. We are now here to announce  
20 who the successful bidder and who the alternate  
21 bidder is. Pursuant to the bidding procedures, the  
22 debtors, in consultation with their financial  
23 advisors as well as in consultation with the  
24 creditors committee advisors, have reviewed the

1 terms of Exhibit 13, the WND bid, Exhibit 12, the  
2 Kyklos bid, as well as the stalking horse bid  
3 submitted by ND Acquisition.

4 In the exercise of its judgment, the  
5 debtors concluded that the Kyklos bid under  
6 Exhibit 12 is the successful bid. Furthermore, they  
7 have concluded that the WND bid, which is marked as  
8 Exhibit 13, is the alternate bid.

9 The debtors did take into account a  
10 number of factors that were mentioned in the bidding  
11 procedures. A very primary importance was the  
12 closing risk associated with the bids. And in light  
13 of the executed supply agreement with GM, that was  
14 very important in assessing that closing risk and  
15 the ultimate determination as to who the successful  
16 bid is.

17 Does any one else have anything to say  
18 for the record?

19 Hearing nothing, the auction is  
20 concluded and thank you so much for your patience  
21 and your attendance at this auction.

22 MR. THOMAS: Thank you.

23 MR. BARRETT: Thank you.

24 (WHEREUPON, a certain document was

marked Exhibit No. 14 for  
identification.)  
(WHEREUPON, the auction concluded at  
10:32 p.m.)

1 STATE OF ILLINOIS )

2 ) SS:

3 COUNTY OF C O O K )

4 I, JANET L. ROBBINS, a Certified Shorthand  
5 Reporter of the State of Illinois, do hereby certify  
6 that I reported in shorthand the proceedings had at  
7 the Bearings Business Auction, and that the  
8 foregoing is a true, complete and correct transcript  
9 of the proceedings of said Bearings Business Auction  
10 as appears from my stenographic notes so taken and  
11 transcribed under my personal direction.

12 IN WITNESS WHEREOF, I do hereunto set my  
13 hand at Chicago, Illinois, this 27th day of  
14 February, 2008.

15  
16  
17 Certified Shorthand Reporter

18  
19 C.S.R. Certificate No. 84-2207  
20  
21  
22  
23  
24

1		I N D E X		
2	EXHIBITS:	DESCRIPTION	PG	LN
3	No. 12A	Kyklos 2/19/08	50	21
4		Modified Sale and		
5		Purchase Agreement		
6	No. 12B	Kyklos Black Line	50	21
7		of the 2/19/08		
8		Modified Sale and		
9		Purchase Agreement		
10	No. 12C	Red lined marked	50	21
11		version of the		
12		Kyklos 2/19/08 Sale		
13		and Purchase		
14		Agreement against		
15		the WND Acquisition		
16		Agreement		
17	No. 12D	Marked red lined	50	21
18		exhibits and		
19		schedules of the		
20		Kyklos 12A		
21		subsequent bid		
22		marked against		
23		exhibits and		
24		schedules submitted		
		by the stalking		
		horse bidder		
	No. 13A	Clean copy of WND	58	17
		Acquisition bid		
	No. 13B	Marked copy of WND	58	17
		Acquisition bid		
	No. 14	2/20/08 Sign-In	71	1
		Sheet for the		
		Bearings Auction		